USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 4/16/2012
GAIN Report Number: VM2015

Vietnam
Grain and Feed Annual
2012

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Report Highlights:

Post estimates Vietnam’s total wheat imports for MY 2011/2012 at 2.3 million tons. The volume of U.S. wheat imports into Vietnam is expected to reach 200,000 tons in MY 2011/2012, and 250,000 tons in MY 2012/2013. Australia still dominates the wheat import market in Vietnam. Australian wheat accounted for over 70 percent of Vietnam’s total wheat imports in both MY 2009/2010 and MY 2010/2011.

In CY 2011, total corn import volume dropped dramatically -- by about one half -- down to 950,000 tons. The drop was mainly due to the competitiveness of feed grade wheat prices compared to corn prices, which enticed feed manufacturers to switch from corn to wheat in order to cut production costs. U.S. corn imports dropped in CY 2011 due to lower priced competition from other corn exporting countries and feed wheat. Imports of U.S. DDGS increased in CY 2011, reaching 500,000 tons valued at $126 million. Post forecasts Vietnam imports of U.S. corn and DDGS in MY 2012/2013 to reach 50,000 tons and 550,000 tons, respectively, due to the fact that feed wheat will likely remain a very competitive substitute animal feed material.

Post estimates Vietnam’s MY 2011/2012 rice exports at 7.0 million tons, based on the potential demand from buyers and from the estimated total production in Vietnam. Vietnam’s MY 2012/2013 rice exports are forecast at the same volume of 7.0 million tons, mainly based on high carry over stock from MY 2011/2012.

Executive Summary:

Wheat-based foods are being increasingly consumed in Vietnam. Their growing prominence is largely due to growth in per capita incomes, and the changing lifestyle and consumer habits that follow economic growth. Locally milled wheat flour serves several food and feed industries. Chinese noodles and instant noodles account for the largest share of wheat flour consumption in Vietnam, at 45-50 percent, while bread/baguette production consumes about 35-40 percent. Growth of the noodle and baked goods industries is the driving factor for the growth of milling wheat consumption.

Feed wheat's share of total consumption was formerly 15-20 percent, mainly for use in aqua-feed, as both an ingredient and a binding agent. Feed wheat, however, has recently been an alternative source for other animal feed in lieu of using corn, cassava, and broken rice, due to its price competitiveness. Post estimates the use of feed wheat for the local animal feed industry to remain high in MY 2011/2012 due to the fact that Australia still has a low quality wheat surplus, and because Vietnam will have higher volumes of rice and cassava exports in CY 2012 compared with CY 2011.

Despite MARD's plan for setting corn planted area at 1.2 million hectares, Post forecasts the corn planted area in CY 2012 to reach around 1.1 million hectares. This is due to lower profit margins for corn compared with other crops.

Farmers are now using most of the hybrid corn seeds sold on the market. These seeds can give very high yields in ideal conditions. Corn yields, however, can be significantly reduced from damages caused by pests (weeds, worms, etc.). The use of genetically modified (GM) corn varieties is expected to bring higher output and profits to farmers, not only due to higher yields as a result of hybridization, but also due to the reduced input costs of pesticides, herbicides, and labor. MARD is now conducting large scale field trials of GM corn varieties in both the northern and southern parts of Vietnam. According to MARD officials, the final approval for commercial GM corn production is expected to be announced between 2012 and 2013.

Since last year, MY 2010/2011, the government called for a program to increase paddy rice production by 1 million tons, to be accomplished by expanding another 100,000 hectares of Late Autumn planted area in the Mekong River Delta. According to MARD, this will provide higher profit margins to MRD farmers since the selling price during that period is relatively high compared with other periods. However, the Autumn planting coincides with annual flooding in the Mekong River Delta. MARD requested support from the Prime Minister to build new dikes and reinforce existing ones for long-term protection of the crop on those additional 100,000 hectares. This rice area expansion is currently the main factor for the increase in Vietnam's total rice production.

Vietnam topped its MY 2009/2010 export record of 6.73 million tons with a new record of 7.0 million tons in MY 2010/2011. The Vietnam Food Association's report showed that Vietnam exported 7.1 million tons of rice in MY 2010/2011, bringing the export value to over $3.5 billion, an increase of more than 20 percent over the MY 2009/2010 export value. The values are on FOB basis. The average export price for Vietnamese rice in MY 2010/2011 was calculated at $493 per ton. The average export rice price in MY 2009/2010 was $479 per ton, while the price in MY 2008/2009 was $406 per ton.

Commodities:

Wheat

Corn

Rice, Milled

1. WHEAT

1.1 PRODUCTION

Vietnam does not produce wheat.

1.2 CONSUMPTION

The overall wheat demand is expected to grow through MY 2012/2013, for both feed and milling wheat. Post estimates MY 2011/2012 consumption for milling wheat at 1.45 million tons, while feed wheat is estimated at 0.9 million. In MY 2010/2011, consumption was over 1.41 million tons of milling wheat and 0.83 million tons of feed wheat. The forecast for MY 2012/2013 consumption is 1.5 million tons of milling wheat and 0.9 million tons of feed wheat. The consumption of feed wheat is largely dependent on its price competitiveness with corn, an alternative source for animal feed ingredients.

Wheat-based foods are being increasingly consumed in Vietnam. Their growing prominence is largely due to growth in per-capita incomes and the changing lifestyle and consumer habits brought by economic growth. This lifestyle change includes consuming fast, convenient foods, and gradually eating more wheat-based foods in place of the rice-based diet that still dominates Vietnamese cuisine. The use of wheat flour in food is also driven by the influence of culinary cultures from other countries. As Vietnamese lifestyles shift increasingly to the Western style, fast food chains, Western style restaurants and bars will introduce more wheat-based foods into the Vietnamese diet.

Locally milled wheat flour serves several food and feed industries. Chinese noodles and instant noodles account for the largest share of wheat flour consumption in Vietnam, at 45-50 percent. Bread/baguette production consumes about 35-40 percent, and about 10-20 percent is used for other baked goods. The growth of the noodle and baked goods industries is the driving factor for the growth in milling wheat consumption.

Feed wheat's share of total consumption was historically 15-20 percent, mainly used for aqua-feed, both as an ingredient and a binding agent for the feed. Feed wheat, however, has recently been an alternative source for other animal feeds, in lieu of corn, cassava, and broken rice, based on its price competitiveness. Post estimates the use of feed wheat for the local animal feed industry will remain high in MY 2011/2012 due to the fact that Australia still has a low quality wheat surplus, and because Vietnam will have rice and cassava exports at higher volumes in CY 2012 compared with CY 2011.

Imports of flour (HS code 1101) into Vietnam have been stable over the years, at about 10,000 tons wheat equivalent of high quality flour (which is not manufactured locally). Japan is the major source of the imported flour. Imports of wheat based products (HS codes: 190219, 190230, 190240) including uncooked pasta, couscous, and instant noodles (ramen) have also been imported at about the same volume for many years, at about 2,000 tons wheat equivalent each year. Both imported wheat flour and imported wheat based products are not significant compared with imported wheat in terms of volume.

Sales of Baked Goods by Category 2005-2010 (1,000 tons)

	2005	2006	2007	2008	2009	2010
Bread	235.7	252.3	273.1	294.6	315.0	339.1
Cakes	14.2	15.1	16.2	17.4	18.7	20.2
Pastries	1.3	1.5	1.7	1.9	2.1	2.4
Baked Goods	251.2	268.9	291.0	314.0	335.9	361.7

Source: Euromonitor International

Forecast Sales of Baked Goods by Category 2010-2015 (1,000 tons)

	2010	2011	2012	2013	2014	2015
Bread	339.1	364.2	391.5	418.7	446.3	475.0
Cakes	20.2	21.6	23.0	24.5	26.0	27.5
Pastries	2.4	2.7	3.0	3.3	3.6	3.9
Baked Goods	361.7	388.5	417.5	446.5	475.8	506.3

Source: Euromonitor International

Sales of Noodles by Category 2006-2011 (1,000 tons)

	2006	2007	2008	2009	2010	2011
Instant Noodles	252.5	274.2	293.0	321.3	345.1	372.8
Plain Noodles	1.7	1.8	1.9	2.0	2.2	2.3
Total Noodles	254.2	276.0	294.9	323.3	347.3	375.1

Source: Euromonitor International

Forecast Sales of Noodles by Category 2011-2016 (1,000 tons)

	2011	2012	2013	2014	2015	2016
Instant Noodles	372.8	401.0	429.2	455.4	478.7	498.5
Plain Noodles	2.3	2.4	2.4	2.5	2.6	2.6
Noodles Total	375.1	403.3	431.7	457.9	481.2	501.1

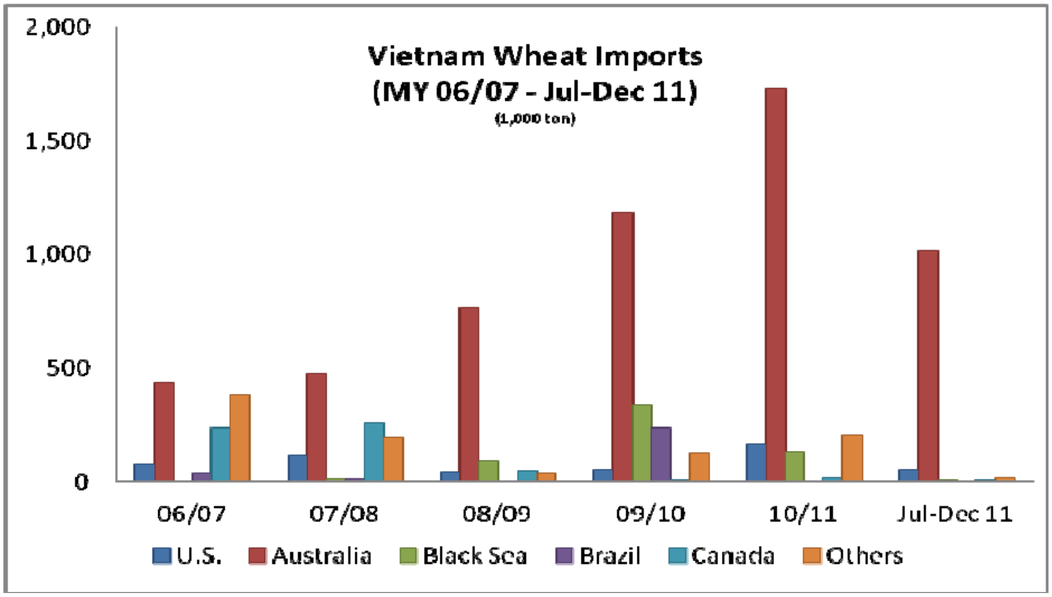
Source: Euromonitor International

1.3 TRADE / COMPETITION

Vietnam is a net importer of wheat and wheat flour. Current import duties are 5 percent for wheat and 10 percent for wheat flour.

Post estimates Vietnam’s wheat imports for MY 2011/2012 at 2.3 million tons. Vietnam’s wheat imports for MY 2010/2011 were 2.25 million tons, slightly down from Post’s latest estimate of 2.3 million tons.

The growth of baked wheat-based products and noodles requires high quality wheat, which potentially favors increased consumption of U.S. wheat. U.S. wheat is also used by Vietnamese mills that blend it in order to cost-effectively improve the quality of their flour products. The volume of U.S. wheat exported to Vietnam is expected to reach 200,000 tons in MY 2011/2012, and 250,000 tons in MY 2012/2013. Recent improvements in trade-related infrastructure should help U.S. wheat be more competitive, and growing demand for high-quality flour made from premium-quality U.S. wheat will also increase imports.



Source: Vietnam Custom Office

Australian wheat, however, still dominates the wheat import market in Vietnam. It accounted for over 50 percent of Vietnam's total wheat import volume in MY 2007/2008 -- mainly milling wheat, which took more than 60 percent of Vietnam's total wheat import in MY 2009/2010, and more than 70 percent in MY 2010/2011.

2. CORN

2.1 PRODUCTION

Vietnamese corn output in Calendar Year (CY) 2011 was 4.65 million tons, a slight increase (less than 0.5 percent) compared to the 4.63 million tons of production in CY 2010. CY 2011 actual planted area totaled 1.08 million hectares, not reaching MARD's goal for corn planted area of 1.2 million hectares. CY 2011 planted area was also lower than CY 2010 planted area. The corn yield, however, (despite falling lower than MARD's projection) was the main driving factor to make total CY 2011 production higher than CY 2010 production. The smaller planted area in CY 2011 was due to unfavorable weather in northern Vietnam during the corn planting season in early 2011.

Vietnam Corn Production in Calendar Year 2010-2012

	Unit	2010	2011		2012 Forecast
			estimate	revised	
Planting area	1,000 hectares	1,126	1,200	1,081	1,100
Yield	mt/ha	4.11	4.70	4.30	4.50
Production	1,000 mt	4,627.86	5,640.00	4,648.30	4,950.00

Source: MARD / Post Estimate

Despite MARD's plan for corn planting area at 1.2 million hectares, Post forecasts the corn planted area in CY 2012 will reach 1.1 million hectares. This is due to lower profit margins for corn compared with other crops. A current focus of MARD is to increase corn yields in order to improve farmers' profitability. Corn is Vietnam's second largest annual crop, after rice, in terms of production area. However, total corn production area is only about one third that of rice cultivation area, and one sixth that of total rice planted area. This is because corn has a lower profitability compared to rice, legumes, soybeans, and tobacco. Corn is not seen as an attractive cash crop for farmers in Vietnam.

Corn is one of several local crops such as cassava and rice (broken rice, rice bran), which are used to supply the quickly growing feed industry. As such, corn producers are under pressure to quickly increase their productivity in order to satisfy the increasing demand. Significantly improving average yields by using high-yielding varieties seems the most likely way to achieve the government's objectives of increasing corn production for supplying the feed sector.

In the corn production plan for 2011-2015, MARD maintains the production area at 1.2 million hectares, with the main focus being to increase crop yield gradually. The target planted area, however, is the highest level that it has ever reached. Planted area for corn depends highly on the profit margins of corn compared to other cash crops.

Farmers are now using most of the hybrid corn seeds sold on the market. These seeds can give very high yields in ideal conditions. Corn yields, however, can be significantly reduced from the damage caused by pests (weeds, worms, etc.).

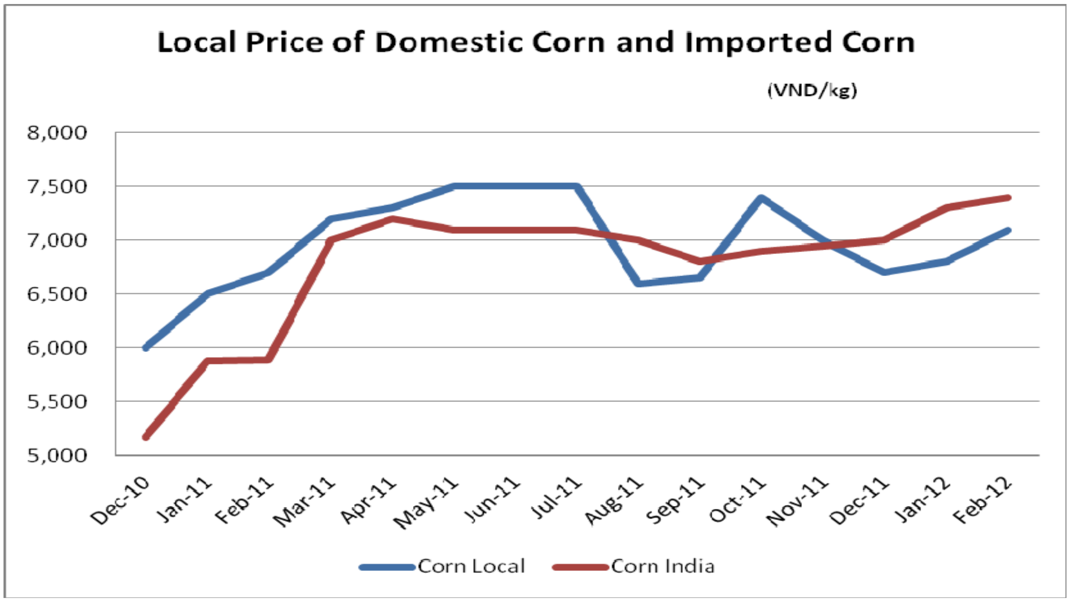
The use of genetically modified (GM) corn varieties is expected to bring higher output and profits to farmers, not only due to higher yields, but also due to reduced input costs for pesticides, herbicides, and labor costs. MARD is now conducting large scale field trials of GM corn varieties in both the northern and southern parts of Vietnam. According to MARD officials, the final approval for commercial GM corn production is expected to be announced between 2012 and 2013.

MARD's Corn Production Plan 2011-2015

		Unit	2010	2011	2012	2013	2014	2015
Corn	-Area	1,000 ha	1,200	1,200	1,200	1,200	1,200	1,200
	-Yield	Ton/ha	4.40	4.70	5.00	5.20	5.30	5.40
	-Production	1,000 ton	5,280	5,640	6,000	6,240	6,360	6,480

Source: MARD

DOMESTIC PRICES



Source: ASA Rep. Office in Vietnam

Domestic corn prices are usually higher than imported corn prices, due to domestic supply typically falling short of the demand (see above graph). Corn demand in Vietnam mainly comes from the animal feed industry -- both commercial feed manufacturers and home-made feed users. The local prices usually drop sharply during the seasonal harvests (Autumn and Winter crops). The graph also shows the sharp fluctuation of domestic corn prices after harvest, indicating that producers have insufficient post harvest infrastructure.

2.2 CONSUMPTION

In Vietnam, corn is used as the main source of protein and energy for the animal feed industry, for food use as corn starch and for limited use by other industries like beer, textiles, and the pharmaceutical industry.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. In CY 2011, the Vietnamese feed industry experienced a growth rate of about 9.0 percent over CY 2010, and an average growth rate of 14.5 percent in six years since CY 2006. Corn use is expected to increase to satisfy the industry growth. It predominantly comes from imported sources, at least for the time being and the near future, because local corn production is still not able to keep up with the fast growing animal feed industry demand. The level of increase in corn imported volume depends highly on its price competitiveness with other alternative feed materials such as feed wheat, broken rice, cassava, and others.

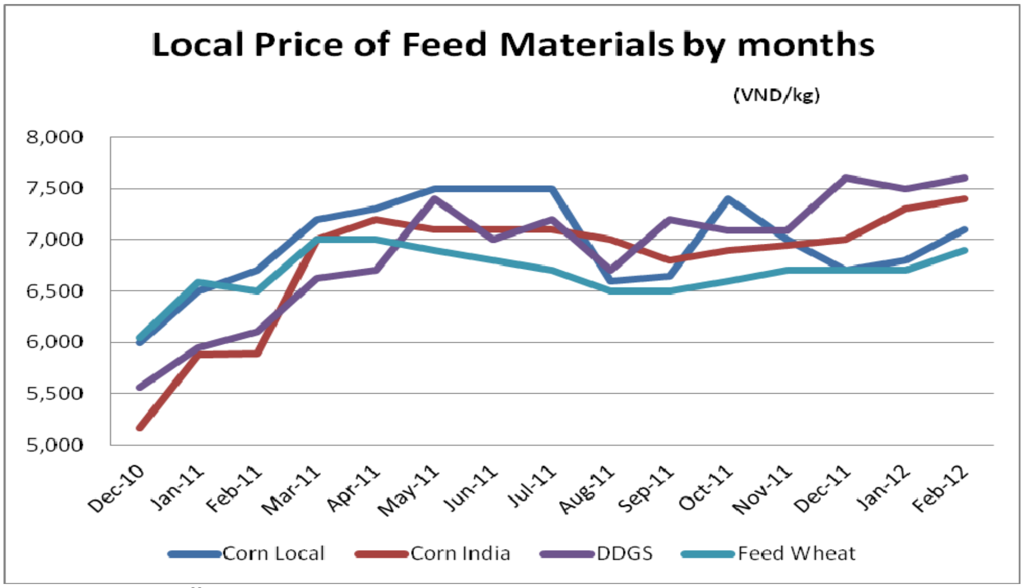
2.3 TRADE / COMPETITION

Total Vietnamese corn production is not able to satisfy the demand of the local feed industry. Within the industry, there is competition of demand between home-made feed and manufactured feed. Commercial feed manufacturers usually can purchase only 40 to 50 percent of all corn produced locally.

Corn growers, on the other hand, do not have appropriate storage facilities. Farmers must sell their product quickly after the harvest, which will continue to make the local corn prices prone to seasonal fluctuations. Insufficient storage and grain handling facilities are also constraints to the future growth of corn imports into Vietnam.

Corn has competition from other feed ingredient sources. Cassava, feed grade wheat, and broken rice are among the main alternatives to corn. In recent years, rice and cassava have been more focused on export markets and fell short of supplying the domestic animal feed industry. Feed wheat was a very good alternative in CY 2011 due to the availability of abundant, low-grade wheat from Australia. And it was price competitive with imported corn. The graph below shows feed wheat prices compared to corn and DDGS throughout most of CY 2011.

In CY 2011, total corn imported volume dropped dramatically -- by about one half -- down to 950,000 tons, compared to 1.8 million tons in CY 2010. The drop was mainly due to the competitiveness of feed grade wheat prices compared to corn prices, which enticed feed manufacturers to switch from corn to wheat in order to cut production costs.



Source: ASA Rep. Office in Vietnam

U.S. corn imports dropped in CY 2011 due to competition from other corn exporting countries and feed wheat. However, Post estimates that U.S. corn imports will be back up in CY 2011. India is still one of the major corn suppliers for Vietnam.

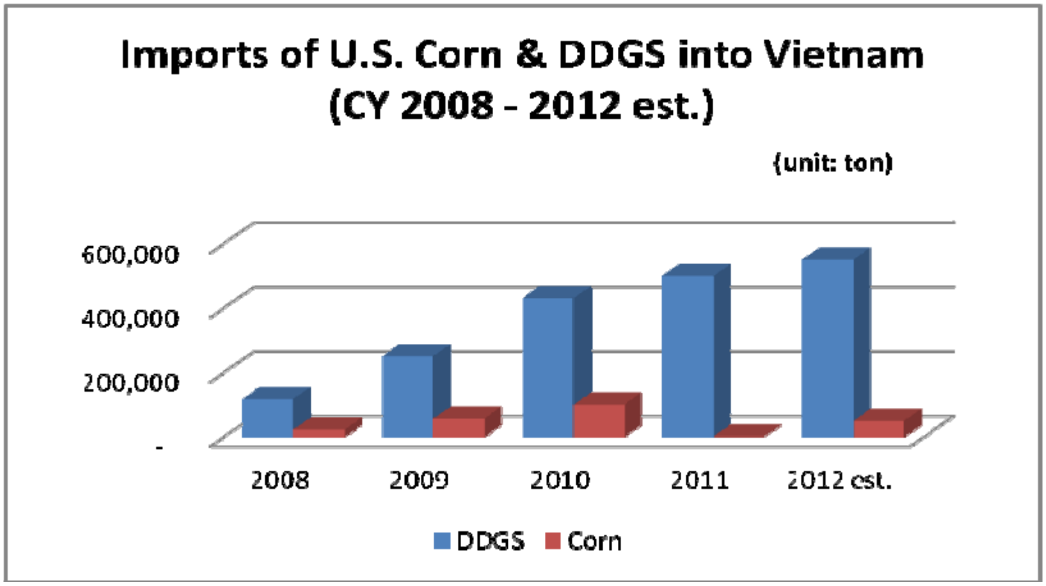
DDGS have also been used by the Vietnamese feed industry to minimize manufacturing costs, and are a strong competitor of locally grown corn. Vietnam's feed industry uses DDGS that are mainly imported from the United States. Vietnam became the top importer of U.S. DDGS in Southeast Asia in CY 2010. Thailand had been the top importer in previous years. Imports of U.S. DDGS increased in CY 2011, with a 16-percent increase in volume over CY 2010, reaching 500,000 tons valued at $126 million.

Post forecast imports of U.S. corn and DDGS in 2012 to reach 50,000 tons and 550,000 tons, respectively, due to the fact that feed wheat will likely remain a very competitive substitute animal feed material. Australia is expected to supply larger feed grade export volumes for 2011/2012. (See more in wheat section)

US Exports of Corn and Corn By-products into Vietnam 2006-2011

		2008		2009		2010		2011	
Product	UOM	Value	Qty	Value	Qty	Value	Qty	Value	Qty
Feeds & Fodders									
2303300000 – BRWR,DTLR,GRN	MT	29,384	117,248.00	45,954	250,638.00	80,644	430,236.00	125,845	499,523.00
2303100020 – CORN GLUTEN MEAL	MT	6,305	15,094.00	6,489	13,234.00	6,711	10,487.00	13,724	26,386.00

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, Vietnam Custom Office

Vietnam's import tariff on corn is 5 percent. The import tariff on DDGS is zero percent for countries with Most-Favored-Nation status.

2.4 POLICY

Vietnam expected to approve genetically modified corn varieties for production
After five years conducting evaluations and risk assessments on genetically modified corn, MARD reported late in 2011 that the results were promising and that yields could be doubled compared to conventional hybrid varieties. This also indicated that Vietnam will likely approve genetically modified corn for commercial planting in 2012.

3. RICE

3.1 PRODUCTION

Vietnam's Area, Yield, and Production for Rough Rice (as of March 2012)

Marketing Year	2010/2011 Revised		2011/2012 Estimate		2012/2013 Forecast	
Harvested Area (tha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Winter[1]	1,780	1,776	1,760	1,775		1,765
Spring[2]	3,095	3,095	3,095	3,095		3,095
Autumn[3]	2,730	2,740	2,700	2,730		2,740
TOTAL	**7,605**	**7,607**	**7,555**	**7,600**		**7,600**
Yield (mt/ha)						
Winter	4.65	4.67	4.65	4.67		4.70
Spring	6.29	6.29	6.30	6.35		6.35
Autumn	5.26	5.27	5.25	5.27		5.30
AVERAGE	**5.53**	**5.54**	**5.54**	**5.57**		**5.59**
Production (tmt)						
Winter	8,277	8,294	8,184	8,289		8,296
Spring	19,466	19,466	19,498	19,653		19,653
Autumn	14,360	14,434	14,175	14,387		14,522
TOTAL	**42,103**	**42,194**	**41,857**	**42,329**		**42,471**

[1] Lua Mua (10th Month), [2] Winter-Spring, [3] Summer-Autumn

Source: MARD, Post estimates

Estimate for MY 2011/2012 (began January 2012)

Post estimates total rice production for MY 2011/2012 to reach a new record of 42.33 million tons of paddy rice, mainly due to the high volume production of the Spring crop. Total production for MY 2012/2013 is forecast to increase, again, over MY 2011/2012 levels to reach 42.47 million tons of paddy rice, due to expected higher yield of the Winter and Autumn crops. Winter and Autumn yields are still relatively low compared to the Spring crop. However, the late Autumn crop in the Mekong River Delta is encouraged by the government with a focus on expanding planted area, as well as more intensive techniques to increase yields -- and farmers' profit margins.

Spring Crop

According to the Ministry of Agriculture and Rural Development (MARD), the total planting area of the MY 2011/2012 Spring crop is planned at 3.095 million hectares, which are similar levels to MY 2010/2011 planted area. The northern provinces have been focusing on a target of 1.145 million hectares for the Spring crop and recently reached 1.12 million hectares of ongoing planting, with only less than three percent left to plant. The southern provinces finished their planting of the MY 2011/2012 crop in the middle of January 2012, reaching 1.95 million hectares.

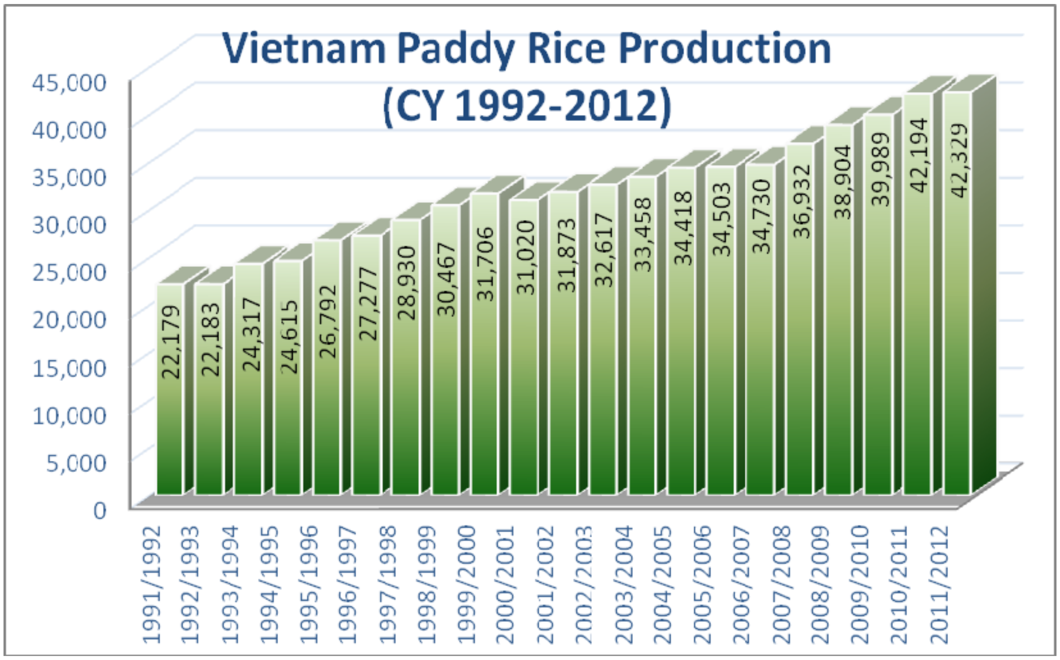
According to MARD, the weather conditions are currently favorable for both the northern and southern Spring crops. As such, assuming a slightly higher yield, Post estimates the production of Vietnam's MY 2011/2012 Spring crop to reach a record of 19.65 million tons, which is about 160,000 tons higher than post's last estimate, and about 200,000 tons higher than that of the MY 2010/2011 Spring crop.

Autumn Crop

The Autumn crop is mainly located in the southern provinces. The Mekong River Delta typically accounts for more than 80 percent of the total Autumn crop planting area. As of March 15, 2012, the ongoing MY 2011/2012 Autumn crop planting area totaled more than 210,000 hectares, compared to about 195,000 hectares at the same period last year, most likely due to favorable weather. Post estimates the total area for the Autumn crop at 2.73 million hectares, down 10,000 hectares compared with MY 2010/2011 total Autumn crop area, due to reports that authorities have discouraged farmers from planting the late Autumn crop in areas where flood protection dikes and levees are not available.

Review for MY 2010/2011 (began January 2011)

Vietnam continued setting a year-on-year production record for paddy rice in MY 2010/2011. The MY 2010/2011 record was more than 2.2 million tons higher than MY 2009/2010 -- the most significant year-on-year production increase since 1992. That increase was the result of the government's calling for a 1-million-ton increase in production by expanding MY 2010/2011 planted area by an extra 100,000 hectares in the Late Autumn crop in the Mekong River Delta.



Source: USDA/FAS/OGA/IPA

Autumn Crop
MARD's official number for MY 2010/2011 Autumn crop harvested area was 2.74 million hectares. Total harvested area of the Late Autumn crop was reported at 640,000 hectares in the Mekong River Delta, up 10,000 hectares from Post's last estimate due to less than expected losses from the October-November flooding. Post revises yield from 5.26 to 5.27 tons per hectare.

Winter Crop
Unlike the Autumn crop, the harvested area of the Winter crop was reduced by 4,000 hectares. That figure was derived by an 18,000 hectare drop in the Mekong River Delta, and a 14,000 hectare gain in the central and the northern parts of Vietnam. The Winter crop average yield was revised up from 4.65 to 4.67 tons per hectares.

Mekong River Delta (MRD) Rice Production

Spring Crop
Mekong River Delta (MRD) farmers are currently harvesting their MY 2011/2012 Spring crop. Post estimates the harvested area in the region to be 1.58 million hectares. MARD recommended planting the MRD Spring crop strictly in November / December to avoid the lack of water from the dry season in early MY 2011/2012, and is harvested by March/April. The estimated yield is about 6.6 tons per hectare. Total MRD paddy production is forecast to reach 10.51 million tons due to the favorable weather condition that prevailed during the growing season. Plentiful rains in early March have brought a good result for the MRD Spring crop.

Autumn Crop

The early rains also helped farmers start the early Autumn crop right after the Spring crop harvest. The early Autumn crop gives farmers another advantage of having more time for the Late Autumn crop, which is the third crop of the year, also called the Autumn-Winter crop.

Since last year, MY 2010/2011, the government called for a program to increase paddy rice production by 1 million tons, to be accomplished by expanding another 100,000 hectares of Late Autumn planted area in the Mekong River Delta. According to MARD, this will provide higher profit margins to MRD farmers since the selling price during that period of time of the year is relatively high compared with other periods. However, that crop planting time coincides with annual flooding in the Mekong River Delta. MARD requested support from the Prime Minister to build new and reinforce existing dikes for long-term protection of the crop on those additional 100,000 hectares.

Rice Production in the Mekong Delta by Marketing Year

(000 ha; mt/ha; 000 mt)

	2010/2011 (Revised)			2011/2012 (old)			2011/2012 (Est.) (new)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	212	4.06	861				212	4.10	869
Spring	1,616	6.56	10,600				1,580	6.65	10,507
Autumn	1,646	5.40	8,888				1,661	5.40	8,969
Late Autumn	640	4.84	3,098				630	4.85	3,055
Total	4,114		23,447				4,083		23,400

Source: MARD, Post estimate

DOMESTIC PRICES

Domestic prices fluctuate depending on the availability of harvested paddy of the different crops during the year. The paddy and milled rice prices usually drop to their lowest point two times in the year: once at the peak harvest of the Spring crop (during March-April) and once at peak harvest of the main Autumn crop (during June-July). In MY 2010/2011, however, the prices went down only slightly in March and June but bounced back up quickly in April and July due to strong export demand (see graph). Another reason for the quick rebound of rice prices in the peak harvest was that in early MY 2010/2011, local media reports quoted officials of the Vietnamese Food Association (VFA) as revealing that the Vietnam carry-over stocks from MY 2009/2010 were more than 50 percent lower compared with early MY 2009/2010.

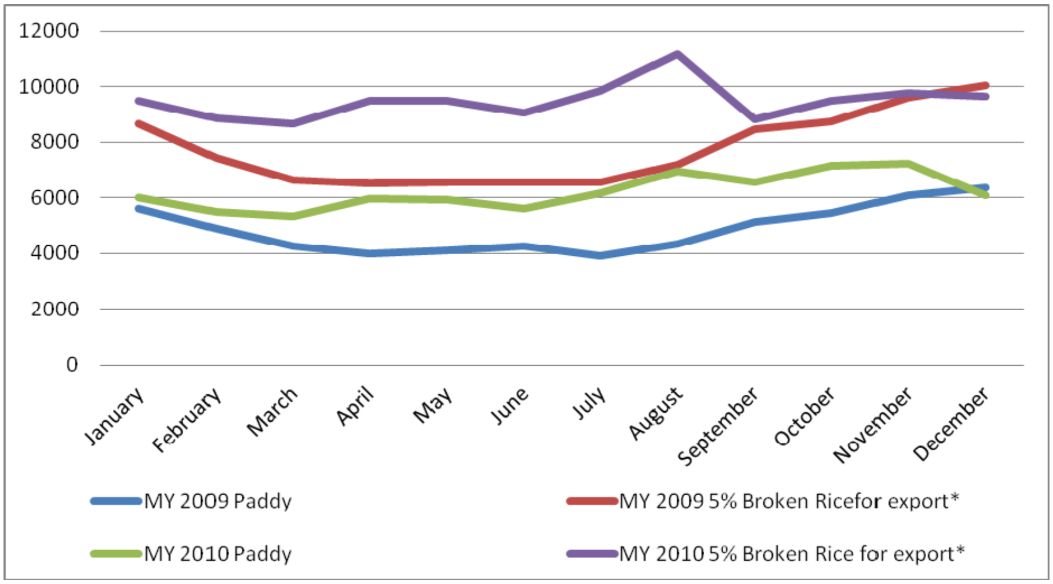
One of the VFA's functions is to boost the country's rice production, under direction of the Prime Minister. It often creates programs and instructs its members to purchase rice for stockpiling one or two times per year in March and/or June, just when the peak Spring and Autumn harvests occur. This prevents the local prices from dropping significantly, thereby helping farmers to maintain higher profit margins for their rice production.

The purchase price established by VFA used to be based on the calculation of estimated production cost of a specific seasonal crop plus 30 percent to serve as a profit margin. The guaranteed purchase price for paddy rice was VND5,000 per kilogram in MY 2010/2011. The guaranteed price set for the MY 2009/2010 Spring crop was VND4,000 per kilogram, while MY 2008 was set at VND3,500 per kilogram.

For MY 2011/2012, the purchase program for the MY 2011/2012 Spring crop started on March 15 and will finish on April 30, 2012. The purchase volume will total one million tons of milled rice. There is no minimum price for this year's program and VFA members can decide their purchase price. The Vietnam State Bank is paying the interest, for 3 months (March 15 – June 15), to the commercial banks that give loans to VFA's members who participate in the program. The rate, however, cannot exceed 14 percent per annum.

The graph below indicates that local prices tend to increase in the last 3-4 months of the year. For this reason, the government encouraged farmers to expand their third crop, or late Autumn crop/Autumn Winter crop, to bolster their income.

Price Trend of Paddy and Milled Rice in MY 2009/2010 and MY 2010/2011
*(Unit: VND/kg) *Price quoted alongside vessel, without bag*



Source: combined data/ Vietnam Food Association

3.2 CONSUMPTION

Vietnam's decline in per-capita rice consumption is consistent with other countries in Asia. As the economy develops, consumers have greater purchasing power and more access to other foods, with per-capita consumption of rice tending to decline as income increases.

Even though per-capita consumption is declining, total consumption continues to grow. The yearly population growth of about one million people is the main driver of the increase in total consumption. Other factors in Vietnam's increased rice consumption include higher use of rice in home-made animal- and aquaculture-feeds, and growth in industrial scale food processing, especially in the beer industry.

In the animal feed industry, commercial feed only satisfies around 50 percent of the total demand; the remaining 50 percent is drawn from local sources for home-made feed. Rice is one of the main sources of home-made feed for swine, fish, and poultry, especially in the MRD.

Vietnam Rice Industry Distribution

	Unit	1990	1995	2000	2005	2010
Paddy output	,000 tons	19,225	24,964	32,530	35,833	39,973
Seeds, feed, post harvest loss	,000 tons	3,268	4,244	5,530	6,450	7,195
Rice available	,000 tons	10,372	13,468	17,550	19,393	21,633
Industry rice use & loss	,000 tons	363	471	614	873	973
Stock	,000 tons	1,216	1,398	2,416	2,092	2,147
Rice export	,000 tons	1,624	1,988	3,477	5,255	6,828
Per capita rice consumption	Kg/pr	109	133	142	136	132
Total local rice consumption	,000 tons	7,169	9,610	11,043	11,173	11,865

Source: quoted Vietnam General Statistic Office, 2011

The table above shows the trend of Vietnam's rice distribution. The table shows that consumption of rice used for feed and industry increased steadily during the 20 years from 1990 to 2010 (yellow highlighted rows). However, per capita rice consumption decreased steadily over the past 10 years. Although per-capita consumption has declined, total rice consumption has increased due to population increase (pink highlight rows).

Post estimates that an additional 100,000-150,000 tons of rice, per year, are required to keep pace with Vietnam's growth in total rice consumption. In some years, however, rice consumption may increase much more, since rice can be used as an alternative source for feeds, and it does not need to be imported like the other main ingredients in animal feeds. Likewise, when higher rice volumes are exported, people will use more corn, wheat, and other substitutes, to replace rice in their feed ingredients.

3.3 TRADE / COMPETITION

Trade

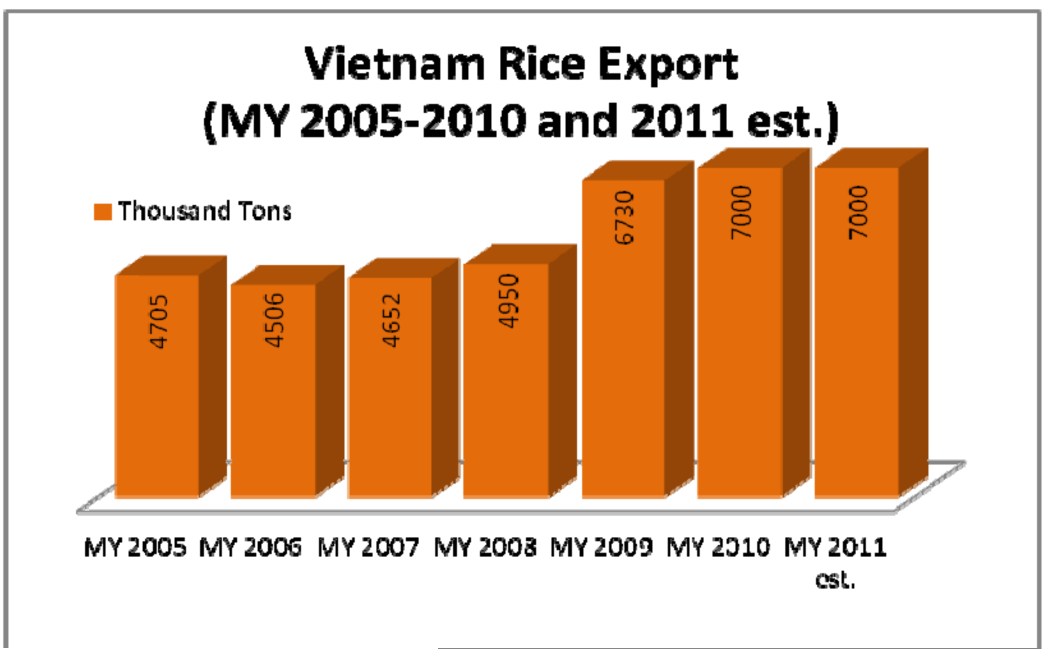
Vietnam exported 7.0 million tons of rice, out of a total production of 26.37 million tons in MY2010/2011, compared to 6.73 million ton of rice in MY2009/2010. Vietnam continues to maintain its position as the world's second largest rice exporter after Thailand. Post forecasts that Vietnam's MY2011/2012 rice exports will be at 7.0 million tons due to expected higher production than that of 2010/2011. However, export markets are expected to be more competitive, and relatively lower demand is expected from Vietnam's traditional rice markets, such as the Philippines, Indonesia, Malaysia, and Bangladesh.

The VFA maintains rice export registration requirements and the Minimum Export Price (MEP) based on the new Government regulations on rice exports, Ordinance 109/2010/ND-CP (see further details in the Policy Section), in order to regulate the flow and prices for rice exports.

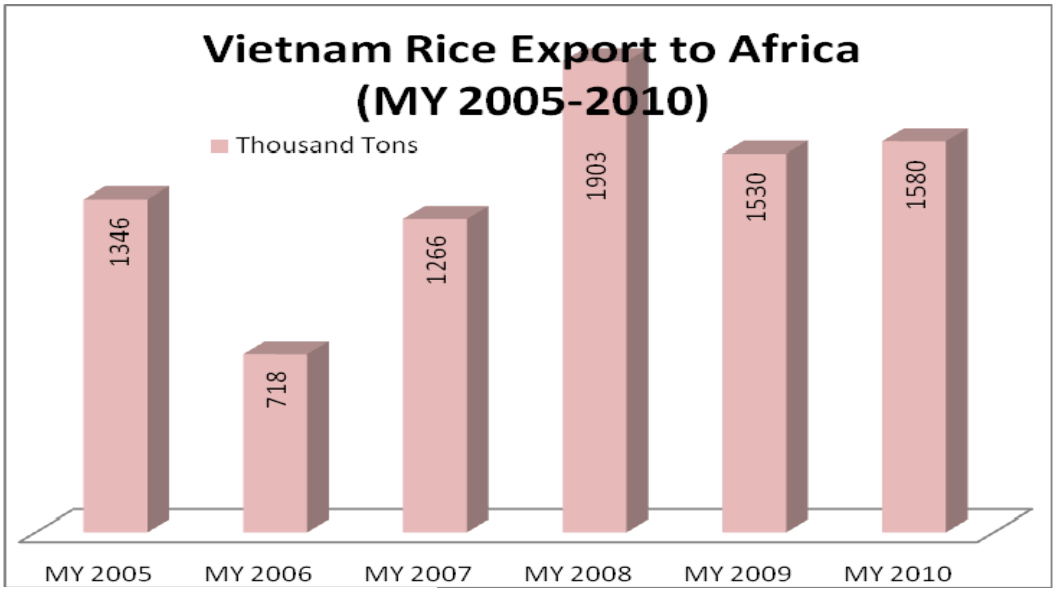
Exports

Vietnam topped its MY 2009/2010 export record of 6.73 million tons with a new record of 7.0 million tons in MY 2010/2011. The Vietnam Food Association's report showed that Vietnam exported 7.1 million tons of rice in MY 2010/2011, bringing the export value to over $3.5 billion, an increase of more than 20 percent over the MY 2009/2010 export value. The values are on FOB basis. The average export price for Vietnamese rice in MY 2010/2011 was calculated at $493 per ton. The average export rice price in MY 2009/2010 was $479 per ton. In MY 2008/2009 it was $406 per ton.

Indonesia imported small quantities of rice during MY 2007 and MY 2008, and then bought approximately 1.5 million tons of rice due to low local stocks caused by natural disasters and crop failure in MY 2009/2010. Indonesia became Vietnam's largest buyer in MY 2010/2011. The Philippines imported 829,000 tons in MY 2010/2011, down from over 1.57 million tons in MY 2009/2010, becoming Vietnam's second largest buyer.

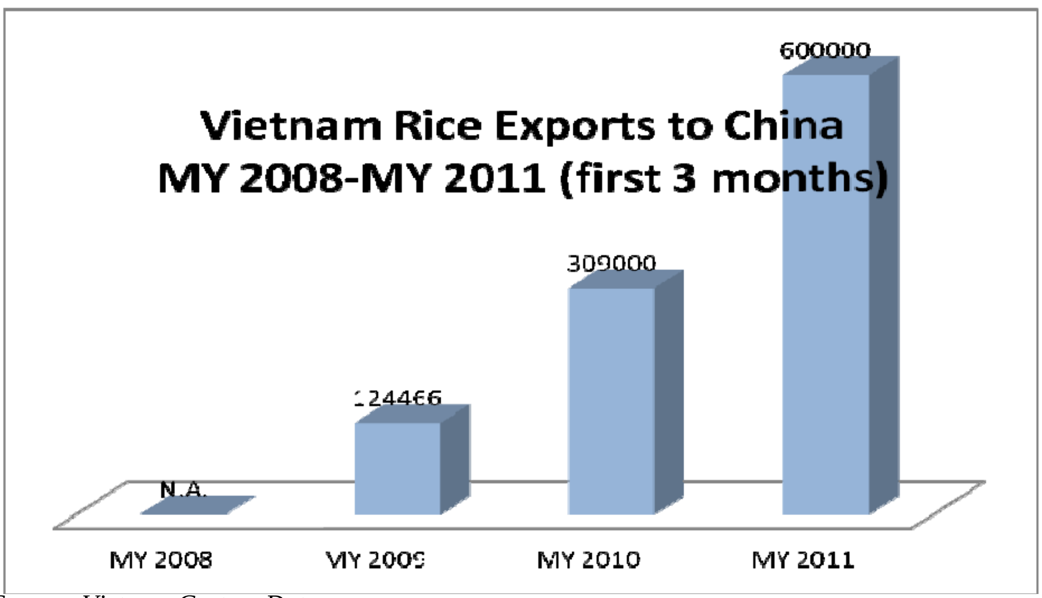


Source: Trade source, Post's calculation



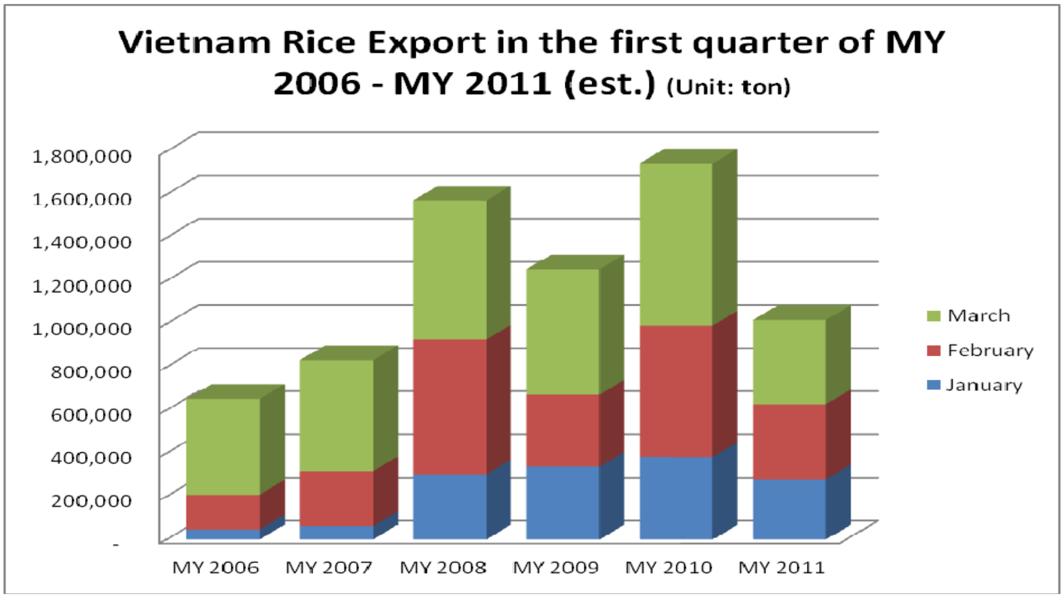
Source: Trade source, Post's calculation

Vietnamese rice exports to the Chinese market have increased sharply in recent year. During the first 3 months of MY 2011/2012, the committed export volume during this period of time was two times larger than the entire MY 2010/2011 shipments, and more than 4 times larger than MY 2009/2010. Vietnam is looking at this opportunity to make up for lower demand from its traditional markets. Post estimates the total Vietnam export volume to China will reach 800,000 tons.



Source: Vietnam Custom Data

Rice exports in the last nine months of MY 2011/2012 are promising. Vietnam has advantages over India and Pakistan in the African market for its 5 percent broken rice. However, according to the Vietnam Food Association, it has strong competition from India on low quality rice (25-percent broken). By volume, Vietnam is able to ship 1.2 – 1.5 million tons each year, on average, to Africa. The buying season for the African market is not in the first quarter, but from the second quarter of the year onwards. Rice is normally shipped to African countries by international traders on a Free-On-Board (FOB) basis, and the cargoes are delivered by large vessels that stop at several ports of different African countries. The exact volume of Vietnamese rice that each African country imports is not clearly recorded by Vietnam's statistical authority. Demand from the Asian countries, Vietnam's traditional rice export markets -- especially the Philippines, Indonesia, and Malaysia -- still has potential, although it might be slightly lower.



Source: Vietnam Food Association, Trade source, Post's calculation

Post estimates Vietnam's MY 2011/2012 rice exports at 7.0 million tons, based on possible demand from buyers and from the estimated total production in Vietnam. Vietnam's MY 2012 rice exports are forecast at the same volume of 7.0 million tons, mainly based on high carry-over stocks from MY 2011/2012.

Vietnam Rice Export by Grade and Destination in MY 2010/2011

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	896,163	10,000	2,543,422	805,459	15,448	204,472	231,212	26,330	**4,732,506**
AFRICA	885,964	-	120,083	13,124	393,157	-	142,316	25,440	**1,580,084**
EUROPE and CIS	42,368	43,506	2,655	-	-	380	43,260	850	**133,019**
AMERICAS	44,880	-	468,756	-	-	-	9,507	-	**523,143**
AUSTRALIA	18,115	473	-	-	-	-	11,533	-	**30,121**
UNKNOWN									
TOTAL	**1,887,490**	**53,979**	**3,134,916**	**818,583**	**408,605**	**204,852**	**437,828**	**52,620**	**6,998,873**

Source: Trade/Custom Office/VFA

Imports

Vietnam imports rice mostly from Cambodia, with a small volume of sticky rice coming from Laos. Most of Cambodia's shipments occur around the beginning of the calendar year, immediately after its main crop is harvested. In Vietnam, imported paddy is used for local consumption after processing, since most of the rice grown in the Mekong River Delta is purely for export. No official data exists regarding the exact imported quantity, since paddy from Cambodia is transferred into Vietnam unofficially via small boats, thereby making tracking very difficult. Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production, which is used mostly for local consumption in Vietnam.

The Government of Vietnam has a tariff rate quota (TRQ) policy to allow a limited volume of rice to be imported into Vietnam through the borders with Laos and Cambodia. The TRQ for Cambodia was based on Decision No. 08/2008/QD-BTC, dated January 30, 2008 by the Ministry of Finance. A variety of farm produce of Cambodian origin, including paddy/rice is allowed entry into Vietnam under the preferential import tax rate of 0% (zero percent). The volume of the TRQ is reviewed at least once every two year. (See more in Policy section)

Tariff Rate Quota for Cambodian rice import into Vietnam CY 2006-2013

Year	2006	2007	2008	2009	2010	2011	2012	2013
Quota (mt)	150,000	200,000	150,000	200,000	250,000	250,000	300,000	300,000

Source: Vietnam Ministry of Finance (MoF) and Ministry of Industry and Trade (MoIT)

According to Circular 61/2006/TT-BTC, dated June 29, 2006 by the Ministry of Finance, paddy/rice grown by Vietnamese investors in the provinces that share a border with Vietnam is free from both import duties and a VAT. Imports of paddy/rice from provinces that do not share a border with Vietnam are excluded from this Circular.

Post estimates Vietnam's imported rice volume from Cambodia at 400,000 tons for both MY 2011/2012 and MY 2012, down from 500,000 tons in MY 2010/2011, due to Vietnam's large production in MY 2011/2012.

3.4 POLICY

Zero duty on Cambodian rice and tobacco
According to Circular 05/2012/TT, recently issued by the Ministry of Industry and Trade, various kinds of rice and tobacco imports from Cambodia will enjoy an import tax rate of zero per cent during 2012 and 2013 based on the Tariff Rate Quota (TRQ). The total quota for the import of rice will be 300,000 tons per year, while the import quota for tobacco will be 3,000 tons. The circular came into effect on February 17, 2012, and expire after December 31, 2013.

Decree 109/2010/ND-CP on rice export and traders, the mechanism of regulating paddy price
The Decree, with effective date of January 1, 2011, aims to stabilize the rice market, by identifying reliable rice exporters. In detail, the Decree requires business entities that would like to engage in the rice export business to have at least one appropriate rice storage warehouse, with a minimum of 5,000 tons paddy holding capacity, and at least one rice processing facility with a minimum of 10 tons per hour capacity.

However, the Vietnamese Government allowed the business entities a time frame within which to prepare. According to that, rice export activities will remain the same as before in the first nine months of 2011. From October 1, 2011 to September 2012, Rice exporters should obtain a certificate of eligibility for the rice export business, and are allowed to lease storage and milling facilities. After that, rice exporters who do not satisfy the above requirements will not be allowed to conduct business.

Foreign businesses who want to participate in the rice export business should have rice storage warehouses and rice processing facilities similar to the local rice exporters.

Some Decree 109/2010/ND-CP related documents:

- Circular 44/2010/TT-BCT by the Ministry of Industry and Trade, dated December 31, 2010, on the regulations regarding rice export registrations, and focal point for rice export contracts and related issues, effective February 14, 2011.

- Official Letter 3088/BCT-XNK by the Ministry of Industry and Trade, dated April 8, 2011, asked for provincial authorities to inspect and certify the rice exporters' storage warehouses and rice processing facilities in order to help rice exporters obtain the certificate of eligibility required for a rice export business.

- Circular 89/2011/TT-BTC by the Ministry of Finance, established guidelines for the methodology for determining the floor price for export rice.

- Decision 560/QD-BNN-CB by the Ministry of Agriculture and Rural Development, dated March 24, 2011, on the promulgation of temporary regulations on technical requirements for appropriate rice storage warehouses and rice processing facilities for rice export.

- Official Letter 25/CV/HHLTVN by the Vietnam Food Association, dated February 22, 2011, on the procedure for rice export contract registration.

- Official Letter 211/CV/HHLTVN by the Vietnam Food Association, April 25, 2011 notifying rice exporters of Official Letter 3088/BCT-XNK by the Ministry of Industry and Trade, and Decision 560/QD-BNN-CB by the Ministry of Agriculture and Rural Development, for reference and preparation of the dossier for applying for a certificate of eligibility for the rice export business.

Production, Supply and Demand Data Statistics:

1. WHEAT

Vietnam's Production, Supply and Demand for Wheat

Wheat Vietnam	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	109	109	319	110		60
Production	0	0	0	0		0
MY Imports	2,460	2,245	2,500	2,300		2,400
TY Imports	2,460	2,245	2,500	2,300		2,400
TY Imp. from U.S.	222	162	0	200		250
Total Supply	2,569	2,354	2,819	2,410		2,460
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	1,000	831	1,100	900		900
FSI Consumption	1,250	1,413	1,300	1,450		1,500
Total Consumption	2,250	2,244	2,400	2,350		2,400
Ending Stocks	319	110	419	60		60
Total Distribution	2,569	2,354	2,819	2,410		2,460
1000 HA, 1000 MT, MT/HA						

Vietnam's wheat Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Wheat		
	Units: Metric Tons		
Time Period	Jul-Jun		July – Dec*
Imports for:	2010/2011		**2011**
U.S.	162,000	U.S.	50,000
Others		Others	
Argentina	0	Argentina	0
Australia	1,734,000	Australia	1,015,000
Black Sea	131,000	Black Sea	2,000
Brazil	0	Brazil	0
Canada	13,000	Canada	1,000
China	0	Russia	0
		India	12,000
		Pakistan	2,000
Total for Others	1,878,000		1,032,000
Others not Listed	205,000		2,000
Grand Total	2,245,000		1,084,000

2008 totals are for six months only

2. CORN

Vietnam's Production, Supply and Demand for Corn

Corn Vietnam	2010/2011		2011/2012		2012/2013	
	Market Year Begin: May 2010		Market Year Begin: May 2011		Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,200	1,081	1,250	1,100		1,150
Beginning Stocks	426	426	526	697		47
Production	5,000	4,648	5,400	4,950		5,290
MY Imports	1,200	1,723	1,300	1,000		1,500
TY Imports	1,200	1,086	1,300	1,200		1,600
TY Imp. from U.S.	12	87	0	20		70
Total Supply	6,626	6,797	7,226	6,647		6,837
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	5,000	5,000	5,400	5,400		5,600
FSI Consumption	1,100	1,100	1,200	1,200		1,200
Total Consumption	6,100	6,100	6,600	6,600		6,800
Ending Stocks	526	697	626	47		37
Total Distribution	6,626	6,797	7,226	6,647		6,837
1000 HA, 1000 MT, MT/HA						

Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2010		**2011**
U.S.	100,000	U.S.	2,350
Others		Others	
India	476,000	India	560,000
Brazil	180,000	Brazil	130,000
Thailand	273,000	Thailand	132,000
Argentina	635,000	Argentina	128
Laos	15,000	Laos	21,000
Cambodia	27,000	Cambodia	40,000
Total for Others	1,606,000		883,000
Others not Listed	44,000		65,000
Grand Total	1,750,000		951,000

3. RICE

Vietnam's Production, Supply and Demand for Rice

Rice, Milled Vietnam	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,605	7,607	7,555	7,600		7,600
Beginning Stocks	1,470	1,470	1,870	1,941		2,046
Milled Production	26,300	26,371	26,150	26,455		26,544
Rough Production	42,080	42,194	41,840	42,328		42,470
Milling Rate (.9999)	6,250	6,250	6,250	6,250		6,250
MY Imports	500	500	400	400		400
TY Imports	500	500	400	400		400
TY Imp. from U.S.	0	0	0	0		0
Total Supply	28,270	28,341	28,420	28,796		28,990
MY Exports	7,000	7,000	6,500	7,000		7,000
TY Exports	7,000	7,000	6,500	7,000		7,000
Consumption and Residual	19,400	19,400	19,750	19,750		20,000
Ending Stocks	1,870	1,941	2,170	2,046		1,990
Total Distribution	28,270	28,341	28,420	28,796		28,990
1000 HA, 1000 MT, MT/HA						